

This letter discusses sales to persons who lease tangible personal property to exempt hospitals. See 86 Ill. Adm. Code 130.2011. (This is a GIL.)

May 9, 2006

Dear Xxxxx

This letter is in response to your letter dated October 10, 2005, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.tax.illinois.gov to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I am a CPA representing a company that is in the cleaning and laundering business. It provides laundry services to both commercial businesses and exempt hospitals. It leases hospital linens solely to one tax exempt hospital. This company does no other linen rental business other than the one tax exempt hospital. The lease is for a 42 month contract.

Administrative Code, Title 86: Revenue, Chapter I: Department of Revenue, Part 130 Retailers' Occupation Tax, Section 130.2011— Sales to Persons Who Lease Tangible Personal Property to Exempt Hospitals, item b) states:

Effective January 1, 1996 through December 31, 2000, and on and after August 2, 2001, sales of equipment, other than that specified in subsection (a), used in the diagnosis, analysis, or treatment of hospital patients that is sold to persons who lease that equipment to exempt hospitals is not subject to Retailers' Occupation Tax. As noted in this subsection, the exemption is not available during the period January 1, 2001 through August 1, 2001 because it expired under the provisions of Section 2-70 of the Retailers' Occupation Tax Act [35 ILCS 120/2-70] and was not reinstated until August 2, 2001. The exemption is otherwise available, provided that:

- 1) the equipment described above must all be purchased for lease to a tax exempt hospital under a lease that has been executed or is in effect at the time of purchase;
- 2) the lease must be for a period of one year or longer; and
- 3) the lease must be to a hospital that has an active tax exemption identification number issued by the Department under Section 1g of the Retailers' Occupation Tax Act (see Section 130.2007 of this Part).

Since the above referenced company has entered into a lease agreement for hospital linens, with the tax exempt hospital, under a lease for a period of one year or longer, executed or in effect at the time of purchase of said hospital linens; do these linens (patient gowns, surgery towels, surgical scrubs, sheets, pillowcase, towels, nursery and room linen) qualify as equipment used in the diagnosis, analysis or treatment of hospital patients per the above section?

DEPARTMENT'S RESPONSE:

We are unable in the context of a general information letter to respond to your specific request. However, the term "equipment" as used in 86 Ill. Adm. Code 130.2011 regarding sales to persons who lease tangible personal property to exempt hospitals does not include linens, or other such items as listed in your request.

I hope this information is helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk